

**CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT  
OSKALOOSA, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS**

**June 30, 2012**

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CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

WATERWORKS OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ron Padgett	Chairman	July, 2012
Joe Ryan	Secretary	July, 2016
Mike Vore	Trustee (Resigned November, 2011)	July, 2014
Pete Settimi	Trustee	July, 2014
Chad Coon	General Manager	Indefinite
Sheryl Tomlinson	Office Manager	Indefinite
Cindy Scholtus	Billings Clerk	Indefinite
Crystal Breuklander	Customer Service	Indefinite
David Dixon	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
City of Oskaloosa Municipal Water Department  
Oskaloosa, Iowa

We have audited the accompanying financial statements of the business type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa Municipal Water Department, as of and for the year ended June 30, 2012, which collectively comprise the Water Department's basic financial statements listed in the table of contents. These financial statements are the responsibility of Water Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities, each major fund and the aggregate remaining fund information of the City of Oskaloosa Municipal Water Department as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2012 on our consideration of the Water Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The City of Oskaloosa Municipal Water Department has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oskaloosa Municipal Water Department's basic financial statements. The supplementary information included in Schedules 1 through 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oskaloosa Municipal Water Department's basic financial statements. The budgetary comparison information on pages 22 through 24 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Oskaloosa, Iowa  
October 8, 2012

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## Basic Financial Statements

CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS  
As of and for the year ended June 30, 2012

	<u>Disbursements</u>	<u>Program Receipts Charges for Services</u>	<u>Net (Disbursements) Receipts</u>
Functions/Programs:			
Business Type Activities:			
Water operating	\$ 1,718,004	\$ 2,089,153	\$ 371,149
Debt service	420,992	-	(420,992)
Capital projects	55,492	-	(55,492)
Meter replacements	22,012	-	(22,012)
	<u>\$ 2,216,500</u>	<u>\$ 2,089,153</u>	<u>\$ (127,347)</u>
General receipts:			
Unrestricted investment earnings			14,851
Rents collected			18,866
Miscellaneous			28,947
Note proceeds			55,492
			<u>118,156</u>
Total general receipts			<u>118,156</u>
Change in cash basis net assets			(9,191)
Cash basis net assets beginning of year			<u>1,560,638</u>
Cash basis net assets end of year			<u>\$ 1,551,447</u>
Cash basis net assets:			
Restricted:			
Expendable:			
Debt service			\$ 34,956
Unrestricted			<u>1,516,491</u>
Total cash basis net assets			<u>\$ 1,551,447</u>

See notes to financial statements.



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CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

COMBINING STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2012

	Enterprise Funds				
	Water Utility Operating	Designated for Improvements	Designated for Meter Replacement	Sinking Fund	Total
Operating receipts:					
Use of money and property:					
Meter rent	\$ 14,204	\$ -	\$ -	\$ -	14,204
House rent	360	-	-	-	360
Sprinkler and hydrant rent	4,302	-	-	-	4,302
	18,866	-	-	-	18,866
Charges for services:					
Meter water sales	1,909,233	-	-	-	1,909,233
Late and inspection fees	36,586	-	-	-	36,586
Labor charges	7,890	-	-	-	7,890
Sales tax collected	135,444	-	-	-	135,444
	2,089,153	-	-	-	2,089,153
Miscellaneous:					
Materials sold	5,080	-	-	-	5,080
Reimbursements/refunds	624	-	-	-	624
Tower rental	18,000	-	-	-	18,000
Miscellaneous	5,243	-	-	-	5,243
	28,947	-	-	-	28,947
Total operating receipts	2,136,966	-	-	-	2,136,966
Disbursements:					
Business type activities:					
Administration:					
Labor	247,164	-	-	-	247,164
Related labor expenses	37,831	-	-	-	37,831
Health insurance	167,940	-	-	-	167,940
Publications	1,795	-	-	-	1,795
Audit fees	7,475	-	-	-	7,475
Maintenance - Building	74	-	-	-	74
Computer expense	14,348	-	-	-	14,348
Insurance	45,089	-	-	-	45,089
Postage	13,577	-	-	-	13,577
Meter reading service	15,967	-	-	-	15,967
Telephone	7,009	-	-	-	7,009
Dues and subscriptions	3,930	-	-	-	3,930
Education/Seminars	6,112	-	-	-	6,112
Custodial expense	1,208	-	-	-	1,208

CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

COMBINING STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2012

	Enterprise Funds				
	Water Utility Operating	Designated for Improvements	Designated for Meter Replacement	Sinking Fund	Total
Disbursements (continued):					
Business type activities (continued):					
Administration (continued):					
Office supplies	\$ 4,682	\$ -	\$ -	\$ -	4,682
Miscellaneous supplies	1,207	-	-	-	1,207
Credit card fees	583	-	-	-	583
Capital outlay and replacements	3,045	-	-	-	3,045
	<u>579,036</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>579,036</u>
Plant operation and maintenance:					
Labor	103,290	-	-	-	103,290
Related labor expenses	16,237	-	-	-	16,237
Lab expense	10,704	-	-	-	10,704
Maintenance:					
Buildings	1,424	-	-	-	1,424
Wells	43,445	-	-	-	43,445
Grounds	15,803	-	-	-	15,803
Machinery	9,923	-	-	-	9,923
Education/Seminars	1,220	-	-	-	1,220
Utilities	70,136	-	-	-	70,136
Miscellaneous supplies	1,051	-	-	-	1,051
Miscellaneous expense	1,220	-	-	-	1,220
Chemicals	186,698	-	-	-	186,698
Capital outlay and replacements	97,229	55,492	22,012	-	174,733
	<u>558,380</u>	<u>55,492</u>	<u>22,012</u>	<u>-</u>	<u>635,884</u>
Distribution operations:					
Labor	154,628	-	-	-	154,628
Related labor expenses	24,308	-	-	-	24,308
Uniforms	1,906	-	-	-	1,906
Maintenance:					
Meters	19,157	-	-	-	19,157
Water system	67,099	-	-	-	67,099
Building	679	-	-	-	679
Machinery	2,598	-	-	-	2,598
Gas	17,873	-	-	-	17,873
Rent expense	10,200	-	-	-	10,200
Truck expense	1,774	-	-	-	1,774
Education/Seminars	730	-	-	-	730
Utilities	4,893	-	-	-	4,893
Small tools	2,801	-	-	-	2,801
Miscellaneous supplies	2,470	-	-	-	2,470

CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

COMBINING STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2012

	Enterprise Funds				
	Water Utility Operating	Designated for Improvements	Designated for Meter Replacement	Sinking Fund	Total
Disbursements (continued):					
Business type activities (continued):					
Distribution operations (continued):					
Miscellaneous expense	\$ 1,497	\$ -	\$ -	\$ -	1,497
Capital outlay and replacements	132,643	-	-	-	132,643
Debt service	-	-	-	420,992	420,992
	<u>445,256</u>	<u>-</u>	<u>-</u>	<u>420,992</u>	<u>866,248</u>
Other:					
Sales tax remitted	135,332	-	-	-	135,332
	<u>1,718,004</u>	<u>55,492</u>	<u>22,012</u>	<u>420,992</u>	<u>2,216,500</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	418,962	(55,492)	(22,012)	(420,992)	(79,534)
Non operating receipts:					
Interest on investments	14,851	-	-	-	14,851
	<u>433,813</u>	<u>(55,492)</u>	<u>(22,012)</u>	<u>(420,992)</u>	<u>(64,683)</u>
Excess (deficiency) of receipts over (under) disbursements					
Other financing sources (uses):					
Note proceeds	-	55,492	-	-	55,492
Operating transfers in (note 3)	-	-	36,000	421,048	457,048
Operating transfers out (note 3)	(457,048)	-	-	-	(457,048)
Total other financing sources (uses)	<u>(457,048)</u>	<u>55,492</u>	<u>36,000</u>	<u>421,048</u>	<u>55,492</u>
Net change in cash balances	(23,235)	-	13,988	56	(9,191)
Cash balance beginning of year	1,421,680	-	104,058	34,900	1,560,638
Cash balance end of year	<u>\$ 1,398,445</u>	<u>\$ -</u>	<u>\$ 118,046</u>	<u>\$ 34,956</u>	<u>\$ 1,551,447</u>

CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

COMBINING STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS

As of and for the year ended June 30, 2012

	Enterprise Funds				
	Water Utility Operating	Designated for Improvements	Designated for Meter Replacement	Sinking Fund	Total
Cash basis fund balances:					
Restricted:					
Debt service	\$ -	\$ -	\$ -	\$ 34,956	\$ 34,956
Unrestricted	1,398,445	-	118,046	-	1,516,491
	<u>\$ 1,398,445</u>	<u>\$ -</u>	<u>\$ 118,046</u>	<u>\$ 34,956</u>	<u>\$ 1,551,447</u>

See notes to financial statements.

CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

COMBINING STATEMENT OF CASH TRANSACTIONS AND CHANGES IN CASH BALANCES  
AGENCY FUNDS  
Year ended June 30, 2012

	<u>Customer Deposits</u>	<u>Sewer Receipts</u>	<u>Total</u>
Receipts:			
Charges for services:			
Sanitary sewer receipts	\$ -	\$ 1,544,227	\$ 1,544,227
Stormwater receipts	-	224,669	224,669
Miscellaneous:			
Customer deposits	49,990	-	49,990
Total receipts	<u>49,990</u>	<u>1,768,896</u>	<u>1,818,886</u>
Disbursements:			
Business type activities:			
Customers' deposits refunded	44,100	-	44,100
Sanitary sewer receipts remitted to City	-	1,540,663	1,540,663
Stormwater receipts remitted to City	-	224,650	224,650
Total disbursements	<u>44,100</u>	<u>1,765,313</u>	<u>1,809,413</u>
Excess (deficiency) of receipts over (under) disbursements	5,890	3,583	9,473
Balance beginning of year	<u>76,095</u>	<u>132,764</u>	<u>208,859</u>
Balance end of year	<u>\$ 81,985</u>	<u>\$ 136,347</u>	<u>\$ 218,332</u>

See notes to financial statements.

CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 1. Summary of Significant Accounting Policies

The City of Oskaloosa Municipal Water Department is an independent department and a component unit of the City of Oskaloosa. The Waterworks operates under an appointed Board of Trustees. The Water Department provides water service to the residents of Oskaloosa, Iowa located in Mahaska County.

A. Reporting Entity

For financial reporting purposes, the Municipal Water Department of the City of Oskaloosa, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The Water Department has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Water Department, are such that exclusion would cause the Water Department's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Water Department to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Water Department. The Water Department has no component units which meet the Governmental Accounting Standards Board criteria. These statements do not include any other City of Oskaloosa funds or transactions.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the primary government, the Water Department, and any component units. For the most part, the effect of interfund activity has been removed from this financial statement.

The Statement of Activities and Net Assets presents the Water Department's nonfiduciary net assets. Net assets are reported in two categories:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category.

Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identified with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program receipts are reported instead as general receipts.

CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**Note 1. Summary of Significant Accounting Policies**

**B. Basis of Presentation (continued)**

Fund Financial Statements – Separate financial statements are provided for proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual proprietary funds are reported as separate columns in the funds financial statements. All remaining proprietary funds are aggregated and reported as other nonmajor proprietary funds.

The Water Department reports the following major proprietary funds:

Operating, Improvements, Meter Replacement, and Sinking Fund Enterprise Funds - The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

Additionally, the Water Department reports the following fund type:

Fiduciary Funds:

Agency Funds are utilized to account for monies and properties received and held by the City of Oskaloosa Municipal Water Department in a trustee capacity as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

**C. Basis of Accounting**

The Municipal Water Department maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Water Department are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present the financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparisons and related disclosures are reported as Other Information.

**Note 2. Cash and Pooled Investments**

The City of Oskaloosa Municipal Water Department's deposits at June 30, 2012 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.



CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 2. Cash and Pooled Investments (continued)

The Water Department is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City of Oskaloosa Municipal Water Department's Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investments companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the Water Department had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Certificate of Deposit	\$ 50,000	\$ 50,000	July 8, 2012
Certificate of Deposit	200,000	200,000	November 3, 2013
Certificate of Deposit	500,000	500,000	February 6, 2013
Certificate of Deposit	<u>200,000</u>	<u>200,000</u>	March 18, 2013
	<u>\$ 950,000</u>	<u>\$ 950,000</u>	

Interest rate risk – The Water Department's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Department.

Credit risk - The Water Department investments, held in financial depositories, are not subject to level of risk categorization.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfers from	Transfers to	Amount
Proprietary Enterprise: Water Utility Operating	Proprietary Enterprise: Meter Replacement	\$ 36,000
	Sinking Fund	<u>421,048</u>
Total		<u>\$ 457,048</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Indebtedness

During the year the Water Department authorized and the Iowa Finance Authority approved Water Revenue Capital Loan Notes not to exceed \$6,500,000. The Water Department borrowed \$55,492, paid \$229,000 of principal, \$175,742 in interest and \$16,250 in service fees during the year. The annual debt service requirements to maturity for the revenue capital loan notes is as follows:

Year Ending June 30,	Revenue Capital Loan Notes				
	Water				
	Issued January 7, 2009				
	Interest Rate	Interest	Service Fee	Principal	Total
2013	3.00 % \$	169,358 \$	14,113 \$	236,000 \$	419,471
2014	3.00	162,270	13,522	243,000	418,792
2015	3.00	154,980	12,915	251,000	418,895
2016	3.00	147,450	12,288	259,000	418,738
2017	3.00	139,680	11,640	268,000	419,320
2018	3.00	131,640	10,970	277,000	419,610
2019	3.00	123,330	10,277	286,000	419,607
2020	3.00	114,750	9,563	295,000	419,313
2021	3.00	105,900	8,825	304,000	418,725
2022	3.00	96,780	8,065	314,000	418,845
2023	3.00	87,360	7,280	325,000	419,640
2024	3.00	77,610	6,468	335,000	419,078
2025	3.00	67,560	5,630	346,000	419,190
2026	3.00	57,180	4,765	357,000	418,945
2027	3.00	46,470	3,873	369,000	419,343
2028	3.00	35,400	2,950	381,000	419,350
2029	3.00	23,970	1,997	393,000	418,967
2030	3.00	12,180	1,015	406,000	419,195
		<u>\$ 1,753,868</u>	<u>\$ 146,156</u>	<u>\$ 5,645,000</u>	<u>\$ 7,545,024</u>

See accompanying independent auditor's report.

The resolution providing for the issuance of the revenue capital loan notes include the following provisions:

- a) The bonds will only be redeemed from the future earnings of the enterprise activity.
- b) Sufficient monthly cash transfers shall be made to a sinking fund account for the purpose of making the capital loan note principal, interest payments and service fee when due.
- c) Sufficiency of rates. On or before the beginning of each fiscal year the governing body will adopt or continue in effect rates for all services rendered by the Water Department determined to be sufficient to produce Net Revenues for the next succeeding fiscal year which are (i) adequate to pay the principal and interest requirements thereof and to create or maintain the reserves as provided in this Resolution, and (ii) not less than 110 percent of the principal and interest requirements of the next succeeding fiscal year.

CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**Note 5. Pension and Retirement Benefits**

The Water Department contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the Waterworks is required to contribute 8.07% of annual covered payroll. Contribution requirements are established by State statute. The Water Department's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$40,163, \$36,853, and \$34,127, respectively, equal to the required contributions for the year.

**Note 6. Other Postemployment Benefits (OPEB)**

**Plan Description** – The City of Oskaloosa Municipal Water Department operates a benefit plan which provides medical/prescription drug and dental benefits for employees and their families. There are 10 active members in the plan.

The medical/prescription drug and dental benefits are provided through a fully-insured plan with Wellmark.

**Funding Policy** – The contribution requirements of plan members are established and may be amended by the Water Department. The City currently finances the employees benefit plan on a pay-as-you-go basis. Employees contribute a certain amount for dental insurance each month \$5 for single plan, \$10 for employee/spouse, and \$16 for family plan. The most recent active member monthly premiums for the Water Department plan members are \$602 for single coverage, \$1,232 for employee/spouse, and \$1,846 for family coverage. For the year ended June 30, 2012, the Water Department contributed \$149,153 and plan members eligible for benefits contributed \$1,392 to the plan.

**Note 7. Compensated Absences**

Water Department's employees accumulate a limited amount of earned but unused vacation, sick leave and comp hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Water Department until used or paid. The Water Department's approximate liability for unrecognized earned compensated absences is as follows:

<u>Type of Benefits</u>	<u>Amount</u>
Vacation	\$ 22,242
Sick Leave	80,104
Comp	4,222
Holiday Leave	<u>229</u>
Total	<u>\$ 106,797</u>

This liability has been computed based on rates of pay as of June 30, 2012.

CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

**Note 8. Risk Management**

The Oskaloosa Municipal Water Department is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Water Department assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note 9. Operating Lease**

The Water Department is leasing a building under a lease agreement which expires on July 31, 2012 and provides for monthly rental payments of \$850. The rental payments disbursed during the year ended June 30, 2012 totaled \$10,200.

**Note 10. Sewer and Stormwater Receipts**

The Water Department assesses and collects sewer and stormwater charges for the City of Oskaloosa, Iowa. The receipts from collections from customers and remittances to the City of Oskaloosa are accounted for in the Agency - Sewer Receipts Fund.

**Note 11. Commitments and Contingencies**

In January, 2002 the Water Department implemented a plan to self-fund the increase in their out of pocket and deductible limits of their health insurance policy for all eligible employees. The maximum annual calendar year exposure to the Waterworks would be \$17,000 of which \$1,970 have been paid in claims as of June 30, 2012. The maximum remaining contingent liability as of June 30, 2012 is \$15,030.

The Water Department has entered into a five year contract for leak detection services that will cost \$3,000 per year, effective on June 30, 2011.

**Note 12. Subsequent Events**

The Water Department has purchased real estate in the amount of \$235,000 and will close on the transaction October 9<sup>th</sup>. The property will be the new location for the Water Department shop and future office. There will be no need to lease a building. The Water Department will use cash balances to acquire the building.

The Water Department purchased a pick-up in the amount of \$21,649 using cash balances.

## Other Information

CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT  
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES  
BUDGET AND ACTUAL (CASH BASIS) – PROPRIETARY FUNDS  
Other Information  
Year Ended June 30, 2012

	<u>Actual</u>	<u>Amounts Not Required to be Budgeted</u>	<u>Actual Net</u>
Receipts:			
Water:			
Use of money and property	\$ 33,717	\$ -	\$ 33,717
Charges for services	1,953,709	-	1,953,709
Miscellaneous	78,937	49,990	28,947
	<u>2,066,363</u>	<u>49,990</u>	<u>2,016,373</u>
Other financing sources	55,492	-	55,492
	<u>2,121,855</u>	<u>49,990</u>	<u>2,071,865</u>
Disbursements:			
Business type activities:			
Water	2,125,156	44,100	2,081,056
Excess of receipts over disbursements/ (disbursements over receipts)	(3,301)	5,890	(9,191)
Cash balances beginning of year	<u>1,636,733</u>	<u>76,095</u>	<u>1,560,638</u>
Cash balances end of year	<u>\$ 1,633,432</u>	<u>\$ 81,985</u>	<u>\$ 1,551,447</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
		Total
Original	Final	Variance
		Favorable
		(Unfavorable)
\$ 25,254	\$ 31,060	\$ 2,657
1,970,976	1,943,769	9,940
28,500	30,500	(1,553)
2,024,730	2,005,329	11,044
-	55,492	-
2,024,730	2,060,821	11,044
1,982,124	2,196,032	114,976
\$ 42,606	\$ (135,211)	\$ 126,020

CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

June 30, 2012

The budgetary comparison is presented in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgeting perspective differences resulting from not being able to present comparisons for the Enterprise Fund.

In accordance with the Code of Iowa, the Water Department's Trustees annually adopts a budget on the cash basis following required public notice and hearing for all funds, except Agency funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements, known as functions, not by fund. These functions are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for Proprietary Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregate function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$213,908 due, in part, to a capital improvement project carried over from the previous year. The budget amendment is reflected in the final budgeted amounts.



## Supplementary Information

CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF INDEBTEDNESS  
Year Ended June 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Approved to be Issued</u>	<u>Balance Beginning of Year</u>
Revenue Refunding Capital Loan Notes: Water	January 7, 2009	3.00%	\$ 6,500,000	\$ <u>5,818,508</u>

See accompanying independent auditor's report.

<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Service Fee Paid</u>	<u>Interest Due and Unpaid</u>	<u>Service Fee Due and Unpaid</u>	<u>Notes Due and Unpaid</u>
\$ <u>55,492</u>	\$ <u>229,000</u>	\$ <u>5,645,000</u>	\$ <u>175,742</u>	\$ <u>16,250</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

DEBT MATURITIES  
Year Ended June 30, 2012

Year Ending June 30,	Revenue Capital Loan Notes				
	Water				
	Issued January 7, 2009				
	Interest Rate	Interest	Service Fee	Principal	Total
2013	3.00 % \$	169,358 \$	14,113 \$	236,000 \$	419,471
2014	3.00	162,270	13,522	243,000	418,792
2015	3.00	154,980	12,915	251,000	418,895
2016	3.00	147,450	12,288	259,000	418,738
2017	3.00	139,680	11,640	268,000	419,320
2018	3.00	131,640	10,970	277,000	419,610
2019	3.00	123,330	10,277	286,000	419,607
2020	3.00	114,750	9,563	295,000	419,313
2021	3.00	105,900	8,825	304,000	418,725
2022	3.00	96,780	8,065	314,000	418,845
2023	3.00	87,360	7,280	325,000	419,640
2024	3.00	77,610	6,468	335,000	419,078
2025	3.00	67,560	5,630	346,000	419,190
2026	3.00	57,180	4,765	357,000	418,945
2027	3.00	46,470	3,873	369,000	419,343
2028	3.00	35,400	2,950	381,000	419,350
2029	3.00	23,970	1,997	393,000	418,967
2030	3.00	12,180	1,015	406,000	419,195
		\$ 1,753,868	\$ 146,156	\$ 5,645,000	\$ 7,545,024

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees:  
City of Oskaloosa Municipal Water Department  
Oskaloosa, Iowa

We have audited the accompanying financial statements of the business-type activities, each major fund and the aggregate remaining fund information of the Municipal Water Department, a component unit of the City of Oskaloosa as of and for the year ended June 30, 2012, which collectively comprise the Water Department's basic financial statements listed in the table of contents, and have issued our report thereon dated October 8, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the Water Department is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Water Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipal Water Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Municipal Water Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weaknesses is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Oskaloosa Municipal Water Department's financial statements will not be prevented or detected and corrected on a timely basis. We noted no material weaknesses in internal control over financial reporting during the course of our audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Oskaloosa Municipal Water Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Governmental Auditing Standards.

Comments involving statutory and other legal matters about the City of Oskaloosa Municipal Water Department's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Water Department. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Oskaloosa Municipal Water Department and other parties to whom City of Oskaloosa Municipal Water Department may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Oskaloosa Municipal Water Department during the course of our audit. Should you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
October 8, 2012

CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies:

No matters were noted.

Instances of Non-Compliance:

No matters were noted.

CITY OF OSKALOOSA  
MUNICIPAL WATER DEPARTMENT

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-12    Official Depositories - A resolution naming official depositories has been approved by the Board of Trustees. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2012.
- II-B-12    Certified Budget - Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted in the business type activities function.
- II-C-12    Questionable Disbursements - No disbursements were noted that might not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979.
- II-D-12    Travel Expense - No disbursements of the Water Department's money for travel expense of spouses of the Water Department's officials or employees were noted.
- II-E-12    Business Transactions - No business transactions between the Water Department and the Water Department's officials or employees were noted.
- II-F-12    Bond Coverage - Surety bond of Water Department officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-G-12    Board Minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-H-12    Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Water Department's investment policy were noted.
- II-I-12    Revenue Notes – No instances of non-compliance with the revenue note resolutions were noted.